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Report of the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development

General Assembly
Official Records
Fifty-fifth session
Supplement No. 28A (A/55/28/Add.1)

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Note

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Chapter I
Introduction

Opening and duration of the session

1. The second session of the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development was held in New York from 12 to 23 February 2001, in accordance with paragraph 2 of General Assembly resolution 55/213. The Committee held five meetings (1st to 5th).

2. The Committee also held a number of informal meetings, in which it engaged in interactive dialogue reviewing the inputs to the substantive preparatory process and the International Conference on Financing for Development from the perspective of the main headings of the preliminary agenda, as annexed to decision 1/1 contained in the report of the Committee on its organizational, resumed organizational, first and resumed first sessions.[1]

3. At its 1st meeting, on 12 February, the President of the General Assembly addressed the Committee.

4. At the same meeting, the Secretary-General addressed the Committee.

5. Also at the same meeting, Mats Karlsson, Vice-President for External Affairs and United Nations Affairs of the World Bank, Rheinhard Munzberg, Special Representative of the International Monetary Fund to the United Nations, and Patrick Low, Director of the Office of the Director-General of the World Trade Organization, addressed the Committee.

Chapter II
Organizational matters

A. Adoption of the agenda

6. At its 1st meeting, on 12 February, the Committee adopted the agenda for its second session, as contained in document A/AC.257/20. The agenda was as follows:

1. Adoption of the agenda and other organizational matters.
2. Review of the inputs to the substantive preparatory process and the high-level international intergovernmental event on financing for development.
3. Preparation of the outcome of the high-level international intergovernmental event on financing for development.
4. Draft provisional agenda for the third session of the Committee.
5. Adoption of the report of the Committee on its second session.

B. Attendance

7. Representatives of the following Member States attended the session: Algeria, Andorra, Antigua and Barbuda, Argentina, Armenia, Australia, Austria, the Bahamas, Bangladesh, Barbados, Belarus, Belgium, Bhutan, Bolivia, Botswana, Brazil, Brunei Darussalam, Burkina Faso, Burundi, Cambodia, Canada, Cape Verde, Central African Republic, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Croatia, Cuba, Cyprus, Czech Republic, Democratic People's Republic of Korea, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Estonia, Ethiopia, Fiji, Finland, Gabon, Gambia, Germany, Ghana, Greece, Guatemala, Guyana, Honduras, Iceland, India, Indonesia, Islamic Republic of Iran, Iraq, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, Kyrgyzstan, Lao People's Democratic Republic, Latvia, Lebanon, Lesotho, Liechtenstein, Lithuania, Luxembourg, Madagascar, Malaysia, Mali, Malta, Micronesia (Federated States of), Mongolia, Monaco, Morocco, Myanmar, Namibia, Nauru, Nepal, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Republic of Moldova, Romania, Russian Federation, Saint Lucia, San Marino, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Sudan, Suriname, Sweden, Syrian Arab Republic, Thailand, the former Yugoslav Republic of Macedonia, Togo, Tonga, Trinidad and Tobago, Turkey, Turkmenistan, Ukraine, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Viet Nam, Yugoslavia, Zambia, Zimbabwe.

8. Observers from the following non-member States attended the session: Holy See, Switzerland.

9. The following United Nations offices and organs were represented: United Nations Development Programme, United Nations Children's Fund, United Nations Conference on Trade and Development.

10. The following specialized agencies and other organizations of the United Nations system were represented: United Nations Industrial Development Organization, International Labour Organization, World Bank, International Monetary Fund, World Intellectual Property Organization, Food and Agriculture Organization of the United Nations, International Fund for Agricultural Development, World Trade Organization.

11. The following intergovernmental organizations were represented: European Community, Organization of the Islamic Conference, Organisation for Economic Cooperation and Development.

12. The following non-governmental organizations in consultative status with the Economic and Social Council were represented:

General consultative status

Association for Women in Development

Caritas Internationalis — International Confederation of Catholic Charities

Commission of the Churches on International Affairs of the World Council of Churches

Franciscans International

International Confederation of Free Trade Unions

International Council on Social Welfare

International Youth and Student Movement for the United Nations

Pacific Concerns Resource Centre

World Confederation of Labour

Special consultative status

Canadian Council of Churches

Citizens' Coalition for Economic Justice

Congregation of Our Lady of Charity of the Good Shepherd

Development Alternatives with Women for a New Era

Friends World Committee for Consultation

Global Education Associates

Information Habitat: Where Information Lives

Institute for Agriculture and Trade Policy

International Cooperation for Development and Solidarity

International Federation Terre Des Hommes

Lutheran World Federation

Mani Tese '76

Maryknoll Sisters of St. Dominic

National Association of Cuban Economists

Pax Christi International

Red de Educación Popular entre Mujeres

School Sisters of Notre Dame

Sisters of Mercy of the Americas

Sociologists for Women in Society

World Information Transfer

World Resources Institute

Roster

Association of World Citizens

Canadian Council for International Cooperation

Centre of Concern

Friderich-Ebert Foundation

Third World Institute

United Methodist Church — General Board of Church and Society

United Nations Environment and Development, United Kingdom Committee

Women's Environment and Development Organisation

World Economy, Ecology and Development

NGOs accredited to the financing for development process and the final event

Center for Environmental Economic Development

Focus on Global South

Fundación Intervida

Heinrich Böll Foundation

International Union for Land Value Taxation and Free Trade

Sisters of Charity Federation, The

Women's International Coalition for Economic Justice

C. Documentation

13. The list of documents before the Committee at its second session is contained in annex II.

Chapter III
Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development

14. The Committee considered agenda item 2 at its 1st to 5th meetings, on 12, 13 and 23 February 2001. It had before it the following documents:

(a) Report of the Secretary-General to the Committee (A/AC.257/12);

(b) Report of the Regional Consultative Meeting on Financing for Development in the Asia and the Pacific Region, Jakarta, 2 to 5 August 2000 (A/AC.257/13);

(c) Report of the Regional Consultative Meeting on Financing for Development in the African Region, and Preparatory Meeting for the Third United Nations Conference on Least Developed Countries, Addis Ababa, 15-17 November 2000 (A/AC.257/14);

(d) Report of the Regional Consultative Meeting on Financing for Development in the European Region, Geneva, 6 and 7 December 2000 (A/AC.257/15);

(e) Report of the Regional Consultation on Financing for Development in the Western Asia Region, Beirut, 23 and 24 November 2000 (A/AC.257/16);

(f) Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region, Bogotá, 9 and 10 November 2000 (A/AC.257/17);

(g) Financing for development: hearings with civil society, 6 and 7 November 2000: summary of panel presentations and discussion (A/AC.257/18);

(h) Financing for development: hearings with the business community, 11 and 12 December 2000; summary of panel presentations and discussion (A/AC.257/19);

(i) Report of the Second Committee on macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries (A/55/579/Add.2).

15. At its 1st meeting, on 12 February, the Co-Chairman, Jørgen Bøjer (Denmark), briefed the Preparatory Committee on the most recent visit of its Bureau to the headquarters of the World Bank and the International Monetary Fund (IMF) in Washington, D.C.

16. Also at the same meeting, statements were made by the representatives of the Islamic Republic of Iran (on behalf of the Group of 77 and China), Sweden (on behalf of the European Union and also on behalf of Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, and of Cyprus, Malta, Turkey and Iceland), Pakistan, Chile (on behalf of the Rio Group), Saint Lucia (on behalf of the Caribbean Community) and Mexico, whose representative presented an offer by the Government of Mexico to host the International Conference on Financing for Development in 2002.

17. At the 2nd meeting, on 12 February, the representative of Kenya made a statement on a point of order. At the same meeting, the Committee continued its general discussion of item 2 and heard an address by the President of the Economic and Social Council. Presentations were also made by the Executive Secretaries of the Economic Commission for Latin America and the Caribbean, the Economic Commission for Africa, the Economic Commission for Europe, the Economic and Social Commission for Asia and the Pacific, and the Economic and Social Commission for Western Asia.

18. At the same meeting, statements were also made by the representatives of Japan, the Philippines (also on behalf of the Association of South-East Asian Countries: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia,

Singapore, Thailand and Viet Nam), Brazil, China, Guatemala, Togo (on behalf of the Organization of African Unity), the Republic of Korea, India, Algeria and Peru.

19. At the 3rd meeting, on 13 February, statements were made by the representatives of Bhutan, the Russian Federation, Morocco, the Lao People's Democratic Republic (on behalf of landlocked developing countries), Viet Nam, Malaysia, Denmark, the former Yugoslav Republic of Macedonia, South Africa, Cuba, Egypt, Ghana, Bangladesh, Indonesia, the United States of America and Cambodia.

20. At the same meeting, statements were also made by the representatives of the United Nations Development Programme and the Food and Agriculture Organization of the United Nations.

21. At the 4th meeting, on 13 February, statements were made by the representatives of Nigeria, Canada, Nepal, Norway and Chile.

22. At the same meeting, the Executive Coordinator of the financing for development secretariat also made a statement, and the Committee then continued its consideration of item 2 in the form of informal interactive dialogue, from 13 to 23 February 2001, discussing the main headings of the preliminary agenda, as annexed to decision 1/1 contained in the report of the Committee.[1] The Committee also agreed that the Co-Chairmen, Jørgen Bøjer (Denmark) and Asda Jayanama (Thailand), would provide brief oral summaries of the Committee's review of the inputs made during the interactive dialogue at the end of the second session. The Co-Chairmen's summaries are contained in annex I.

Accreditation of non-governmental organizations

23. At the 2nd meeting, on 12 February, the Committee decided to accredit to the substantive preparatory process and the International Conference on Financing for Development additional non-governmental organizations, as recommended by its Bureau and listed in document A/AC.257/10/Add.2 (see chap. VIII, sect. B).

Chapter IV
Preparation of the outcome of the Conference

24. The Committee considered agenda item 3 at its 5th meeting, on 23 February.

Action taken by the Committee

25. At the 5th meeting, the Facilitator for the informal consultations concerning a draft resolution for adoption by the General Assembly on the preparations for the substantive preparatory process and the International Conference on Financing for Development, Mauricio Escanero (Mexico), informed the Committee on the progress of those consultations.

26. At the same meeting, the Facilitator presented a draft resolution (in English only) and orally corrected it.

27. At the same meeting, the Committee decided to recommend the draft resolution as orally corrected for adoption by the General Assembly, on the understanding that the Facilitator mentioned in the text of the draft resolution is Mauricio Escanero (Mexico), (see chap. VII, sect. A).[2]

28. After the decision to recommend the draft resolution, statements were made by the representatives of Sweden (on behalf of the European Union), the United States, Mexico and the Islamic Republic of Iran (on behalf of the Group of 77 and China).

Chapter V
Draft provisional agenda for the third session of the Committee

29. At its 5th meeting, on 23 February 2001, the Committee had before it the draft provisional agenda for its third session (in English only). Following a statement by the representative of the Islamic Republic of Iran (on behalf of the Group of 77 and China), the Committee adopted the draft provisional agenda for the third substantive session, as orally corrected. The agenda was as follows:

1. Adoption of the agenda and other organizational matters.

2. Review of the inputs to the substantive preparatory process and the International Conference on Financing for Development.

3. Preparation of the outcome of the International Conference on Financing for Development.

4. Draft provisional agenda for the fourth session of the Committee.

5. Adoption of the report of the Committee on its third session.

Chapter VI
Adoption of the report of the Committee on its second session

30. The Committee considered agenda item 5 at its 5th meeting, on 23 February, and the Rapporteur, Hazem Fahmy (Egypt), presented the draft report of the Committee on its second session (A/AC.257/L.5).

31. At the same meeting, the Committee adopted its report and authorized the Rapporteur, in close cooperation with the other members of the Bureau and the secretariat, to finalize the report, incorporating the proceedings of the day as well as the Co-Chairmen's summaries of the interactive dialogue held from 13 to 22 February in the form of informal meetings.

32. Also at the same meeting, the Co-Chairmen, Jørgen Bøjer (Denmark) and Asda Jayanama (Thailand), provided brief oral summaries of the interactive dialogue held from 13 to 22 February in the form of informal meetings, and made concluding statements.

33. At the same meeting, statements were also made by the representatives of the Islamic Republic of Iran (on behalf of the Group of 77 and China), Sweden (on behalf of the European Union), Nigeria and Italy.

Chapter VII
Recommendation of and decision adopted by the Committee

A. Draft resolution for adoption by the General Assembly

34. The Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development recommends to the General Assembly the adoption of the following draft resolution:[2]

Preparations for the substantive preparatory process and the International Conference on Financing for Development

The General Assembly,

Recalling its resolutions 54/196 of 22 December 1999, 55/186 of 20 December 2000 and 55/213 of 20 December 2000,

Taking note with appreciation of the report of the Secretary-General[3] and all other inputs submitted to the Preparatory Committee for the High-level International Intergovernmental Event on Financing for Development for consideration at its second session,

Welcoming the continuous and important progress made in consultations with the major institutional stakeholders, in particular the World Bank, the International Monetary Fund and the World Trade Organization, with regard to their involvement in the process of financing for development,

Encouraging Governments and all other relevant stakeholders to continue considering concrete initiatives in support of the financing for development preparatory process and the high-level international intergovernmental event, within the framework of its substantive agenda,

Further encouraging the deepening of the efforts of all relevant stakeholders, including at the regional level, as well as by civil society and the business sector, in support of the financing for development preparatory process and the high-level international intergovernmental event, within the framework of its substantive agenda,

Recalling the holistic nature of the financing for development preparatory process and the need to take into account other ongoing processes of relevance to

the substantive agenda for the financing for development process,

Reiterating its appreciation to Governments for the support provided to the Trust Fund for extrabudgetary contributions to the financing for development process,

1. *Decides* that the high-level international intergovernmental event will take the form of an international conference, under the auspices of the United Nations, at the highest political level, including at the summit level, and accepts with gratitude the generous offer of Mexico to host this conference, to be named the International Conference on Financing for Development, on the understanding that the specific timing and location of the Conference will be announced by the host country during the third session of the Preparatory Committee;

2. *Stresses* the importance of effective preparations for the Conference, and welcomes the preparatory activities carried out so far, including the substantive interactive dialogue and contribution of all stakeholders held during the second session of the Preparatory Committee;

3. *Decides* that the Preparatory Committee will hold its third session for a period of one week from 2 to 8 May 2001, and that it will hold a resumed third session for a period of another full week during October/November 2001;

4. *Invites* Governments to submit to the coordinating secretariat, not later than 15 April 2001, a concise identification of possible initiatives or themes, which consideration may serve as a means to further focus the substantive preparatory work, within the framework of its substantive agenda, on the understanding that a compilation of such submissions should be available to the Preparatory Committee at its third session;

5. *Decides* that the Preparatory Committee, at its third session, from 2 to 8 May 2001, taking into account all inputs submitted to it at its second session and the dialogue held therein, as well as the referred compilation of submissions and other relevant inputs, will consider in greater depth issues contained in a working paper prepared by the Facilitator, which will serve as a means to further focus the discussions of the substantive preparatory work, within the framework of its substantive agenda, and in this regard encourages active participation by all relevant stakeholders in the consideration of these issues;

6. *Also decides* that the Preparatory Committee, at its resumed third session, in October/November 2001, will consider a concise first draft prepared by the Facilitator, reflecting the progress made at its third session and taking into account all other relevant inputs received thereafter by the Preparatory Committee, within the framework of its substantive agenda;

7. *Further requests* the Bureau to explore ways and means to deepen the efforts of all relevant stakeholders, including at the regional level, as well as by civil society and the business sector, in support of the financing for development preparatory process, within the framework of its substantive agenda, and to submit proposals for consideration and decision by the Preparatory Committee.

B. Decision adopted by the Committee

35. The following decision adopted by the Committee is brought to the attention of the General Assembly.

Accreditation of additional non-governmental organizations

At its 2nd meeting, on 12 February 2001, the Preparatory Committee decided to accredit the following additional non-governmental organizations not in consultative status with the Economic and Social Council to the high-level international intergovernmental event on financing for development, including its preparatory process:

African Forum and Network on Debt and Development

Agricultural Mission

Congregation des frères de St. Gabriel

Congregation of the Mission

Freeplay Foundation

Green Earth Organization

Instituto de Estudos Socioeconomicos

New Economics Foundation

Uganda Development Network

Village Earth: Consortium for Sustainable Village-based Development

Notes

[1] See *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 28* (A/55/28), part two, chap. VI, sect. B.

[2] The draft resolution was adopted by the General Assembly as resolution 55/245 of 16 March 2001.

[3] A/AC.257/12.

Annex I

Joint statement of the Co-Chairmen issued on 23 February 2001, at the conclusion of the second session of the Committee

1. The Preparatory Committee on Financing for Development has done what it set out to do in this, its second substantive session. We have had a fruitful first discussion of the agenda our Committee adopted last June. We have had the pleasure of moderating almost two full weeks of always interesting and frequently intense discussion, demonstrating our collective commitment to accelerate development. We see in the discussions that there is a basis for advancing to a higher level of deliberation at the third session of the Committee, as we progress to the International Conference on Financing for Development in the first quarter of 2002, which we can happily now say will be held in Mexico.

2. The Secretary-General and the unique inter-agency team that assisted him inspired the Committee with a full menu of valuable proposals in his report (A/AC.257/12), which anchored the discussions. In this, the Secretary-General broke new ground in terms of collaboration between the United Nations, the World Bank, the International Monetary Fund (IMF) and the World Trade Organization (WTO), as well as involvement of various units of the Secretariat, specialized agencies and United Nations programmes.

3. There was broad agreement with the general thrust of the proposals contained in the report of the Secretary-General.

4. In addition, the five regional consultations were rich exercises. They added indispensable complementary perspectives from Africa, Asia and the Pacific, Europe, Latin America and the Caribbean, and Western Asia. The Committee has had much to mull over and draw upon, as well, from the hearings with civil society and the business sector.

5. We believe that the high quality of these inputs, as well as the discussions that the Bureau of this Committee held with the Executive Boards of IMF and the World Bank and with members of the General Council of WTO, helped to raise confidence in the financing for development process in the different ministries of United Nations Member States. Coupled with the commitment by heads of state and government at the Millennium Summit to work together to attain the set of international development goals, delegations were primed to have a productive exchange of views these past two weeks.

6. In the course of the Committee's second session, it became clear to us that many of the missions in New York had indeed bolstered their capacity to discuss economic and financial policy. We would like to acknowledge and express appreciation to all the Governments that were able to send specialists to New York to participate in the deliberations. We also acknowledge the important support given to the New York missions by capitals of countries that were unable to send staff physically to the session.

7. We would like to remind you of a recent letter that the Secretary-General addressed to government leaders offering to help bring governmental experts as part of delegations of developing countries to the Committee. We would like to encourage delegations to take advantage of this opportunity, which is being made possible by several generous contributions. This seems especially germane, as the third session of the Committee seems likely to be an important opportunity and all Member States should send the strongest delegations possible.

8. Our optimism about the third session of the Committee arises from our satisfaction with the dialogue at the second session. The interventions of Member States have been rich and effective, and helped contribute to the very positive overall tone of the session. It was easy to see that delegations were all seeking to find common ground and to identify the policy ideas that were ripening for collective action. This approach suits very well the goals of the financing for development process. The ambition here has always been to focus on questions on which the United Nations can have a real impact and to stimulate political motivation founded on shared analysis.

9. We believe, moreover, that the tone and content of the discussion at the second session of the Committee should allay concerns about how the financing for development exercise might relate to the mandates of our key multilateral partners. As noted during the discussion, the fact that a policy concern is

discussed in one institution should not preclude it from being fruitfully discussed from a complementary perspective in a partner institution. In our view, dialogue in the United Nations on a matter on which decisions would be taken in a different institution is not, ipso facto, an infringement on the mandate of that institution, especially when senior management and executive board members of the institution take part in the discussion. Indeed, we believe that dialogue in the United Nations can enrich the policy decisions taken in those institutions, in particular by enhancing their coherence and consistency in support of development and by providing what has been called "political lubrication".

10. We believe the interactive participation in the discussions by senior staff of the World Bank, IMF and WTO was unprecedented. It is deeply appreciated. We were also happy to welcome the participation of the five Executive Secretaries of the regional commissions and representatives of other United Nations agencies and programmes. Their contributions enriched the debate, as did the contributions of other intergovernmental organizations. A number of civil society and business sector representatives also enriched the dialogue through their active participation.

11. The fruitful discussions of our Committee are a fitting collective response to the encouragement given to this process during the opening meeting of the second session by the most senior officials of the United Nations, the President of the General Assembly, the Secretary-General and the President of the Economic and Social Council, as well as by senior officials from the major institutional stakeholders mentioned above.

12. We wish to share with you our perception of the areas of convergence in the dialogue at the second session of the Committee and the directions for further discussion to which they seem to point. We do not claim there is consensus. To say we perceive that there is a convergence among speakers on some issues is far from claiming that Member States that chose not to speak shared the views of the speakers. We will also highlight certain proposals that seemed to attract a measure of interest and that we believe might fruitfully continue to be discussed in the financing for development preparatory process.

13. We should be clear that some of the ideas presented here might be on the fringes of what you would consider acceptable. In addition, not all ideas from all statements are reflected in what we are about to say. Finally, we do not desist from occasionally mentioning an idea that simply struck us as particularly interesting, even if it might not be ripe for agreement by March 2002.

14. Although what we are about to say follows the order of the financing for development agenda, you should see it as a single, integrated package. Indeed, one issue on which there was a strong convergence of views was the interlinking of all the financing for development agenda headings. The interlinking, moreover, is symmetrical. For example, the success of domestic resource mobilization policies in developing countries is contingent on the degree to which the international environment is "enabling". But for the international environment to be adequately enabling, it is also required that developing countries be successful in their domestic policies.

15. With this in view, let us turn to those items that many of you suggested warrant a special focus.

I. Domestic resource mobilization

16. The discussion of the first topic of the financing for development agenda was very rich. We were greatly encouraged by the level of the participation and the active involvement of so many delegations, the Bretton Woods institutions and non-governmental organizations.[a] In the course of the discussion, many of the elements of the agenda were raised and references were made to the recommendations in the report of the Secretary-General and the reports of the consultations of the regional commissions. Representatives stressed that each country has primary responsibility for its economic development. Such issues as sound macroeconomic policies, good governance, autonomy in the management of the capital account, domestic hardships due to fluctuating or declining terms of trade and participation of developing countries in the formulation and design of standards and codes were often mentioned. For many speakers, the recommendations regarding an "enabling environment" in the report of the Secretary-General were seen as particularly important.

Convergence of views

- The mobilization of domestic resources is recognized as the main pillar of development; it is critical for economic growth and development — lessening dependence — and for effective autonomy.
- For a considerable number of developing countries, endemic poverty, weak institutions, conditions of vulnerability or low per capita income are serious constraints on generating savings, therefore making it necessary for international cooperation to supplement domestic resources in support of development efforts.

Issues for further consideration

- The linkage between domestic policies and enabling environment in developing countries, on the one hand, and international actions and a supportive international economic environment, on the other. How to cooperate internationally to support developing country efforts to mobilize domestic resources for development, to translate general principles into operational measures. Linking increasing national efforts to mobilize domestic resources and international efforts to mobilize official development assistance and resources for debt reduction; linking domestic policy adjustment in developing countries — including trade liberalization — and access to developed countries' markets.
- Enhancing national capacities of developing countries through technical assistance as key to support of their domestic resource mobilization efforts. Strengthening as well as widening and deepening of the financial sector, as one critical area for internationally supported technical assistance, including learning from diverse national experiences in savings mobilization and in the adequate provision of financial services to all segments of society, including women and the poor. Improvement of the tax system, in particular tax administration, as a second critical area. Possibility of the Conference resulting in a strong commitment by IMF, the World Bank and bilateral donors to increase technical assistance in these two areas.
- Institution-building and reforms in the public sector. Interim assistance from the international community, as results often materialize with a time lag.
- Public finance as a key theme of the final event, and as an issue which is not only central to domestic resource mobilization but is also an area where action by Governments can lead to early and effective results.
- Simplicity, transparency and efficiency of administration in the development of tax systems. International cooperation to prevent double taxation and tax avoidance and evasion and improving the operation of national tax systems, in particular through information-sharing.
- Fighting corruption at the national and international levels as a priority requiring international cooperation, as in developing an international legal instrument that goes beyond ongoing national and regional efforts.

II. International private flows

17. We had a very interactive discussion on the theme of international private flows.[b] Many of the speakers touched upon the reports of the regional commissions and on the report of the Secretary-General. With different degrees of emphasis, there were references to all the recommendations in chapter II of the report of the Secretary-General.

Convergence of views

- International private flows can make important contributions to development; yet some forms involve a high degree of risk to both sides. Appropriate national policies are needed to maximize their potential and minimize their risk. These flows cannot and should not substitute for official development assistance.
- Foreign direct investment (FDI) can be an effective instrument to help fill the savings/investment gap in many developing countries and countries with economies in transition. Under the right conditions, FDI can provide significant impetus to economic growth and development. The domestic and international features of an environment conducive to domestic mobilization of resources are practically the same as those required to attract FDI.

- Technical assistance for institutional capacity-building and human resource development is paramount to better absorb FDI and other international private flows so that they are more development-friendly.
- Increased information on FDI and analysis of impact of FDI are needed. Several developing countries asked for a deeper examination of links between FDI and the local community as a way to strengthen FDI's development impact.
- Private investors should behave like good corporate citizens, i.e., in an environmentally and socially responsible manner.
- Credit-rating agencies should operate in a more transparent way.
- The use of international standards of accounting and reporting by transnational corporations is highly desirable.

Issues for further consideration

- Ad hoc hearings to discuss international investment agreements.
- Possibility of bringing together Governments, international organizations, business, labour and NGOs for dialogue on FDI, including technical assistance issues.
- Use of three "bottom lines" by good corporate citizens to measure their performance: financial, social and environmental. Use of fiscal incentives to attract foreign investment, without jeopardizing national development goals in the process.
- The principles of good governance (e.g., transparency and rule of law) as common features of a good domestic investment climate and a good international investment climate.
- Linking of benefits for investors to benefits accruing to the investment-receiving area, as regards exploitation of natural resources.
- The important concern that in some instances, when countries undertake appropriate policy reforms, FDI does not respond as expected.
- Regional cooperation as a means to promote investment in the countries in the region, drawing on the experience of the International Finance Corporation of the World Bank and existing regional cooperation schemes.
- The effectiveness of regional stock markets compared to national markets in attracting portfolio investment from developed countries. The need for policy makers to weigh the downside of stock markets, such as their volatility, as well as their positive features, such as corporate governance/transparency.
- Mechanisms to improve information on short-term capital flows.

III. Trade

18. The PrepCom had a lively and important discussion of policy measures on international trade that impinge on development.[c] The World Trade Organization spokesman informed the Committee that the Trade and Development Committee of WTO was preparing a contribution to the financing for development process which it expected to submit at the third session. The active WTO participation in the Committee was very well received. As in the discussion of other areas, there was frequent reference to the report of the Secretary-General and its recommendations.

Convergence of views

- Trade is one of the most important factors in promoting sustainable economic growth and thereby mobilizing resources for development, as well as for integrating developing countries into the global economy. The multilateral trading system should be stable, predictable, non-discriminatory, transparent, fair and equitable.
- There are interlinkages between trade, monetary and financial issues at the level of domestic policy. The same is true at the international level. Coherence among international trade, financial and monetary systems is crucial.
- Technical and financial assistance for capacity-building is needed in the areas of trade policy formulation and implementation in order to ensure that trade liberalization is consistent with development and poverty reduction strategies. Assistance for capacity-building in the negotiation and management of international

trade agreements, export diversification and enhanced knowledge of foreign markets are also needed, particularly in Africa, the least developed, landlocked and small island developing countries.

- Technical assistance is needed in such areas as dispute settlement, international standards and requirements (e.g., sanitary and phytosanitary measures) and transfer of technology.

- Domestic and international efforts continue to be needed, especially technical assistance, to overcome supply constraints in developing countries, especially in Africa and the least developed countries.

- The misuse of unilateral trade measures should be curtailed.

- The financing for development process can add to the political impetus of the work taking place at the World Trade Organization.

Issues for further consideration

- Duty-free and quota-free market access for non-arms exports of least developed countries, other low-income African countries, small island developing States and landlocked developing countries.

- Further trade liberalization for goods important to developing countries (e.g., agriculture, textiles and clothing). Particular importance of liberalization of agriculture for poverty reduction; elimination of subsidies to agriculture.

- Importance for development of regional trade agreements provided that such agreements do not stand in the way of global trade liberalization.

- Effective support for countries experiencing balance-of-payments pressures triggered by volatile commodity prices; new mechanisms to mitigate commodity price risk for developing countries.

- Areas of inconsistency between the trade regime and development goals.

- Synergies between trade and foreign direct investment.

- Ways to support the integrated framework for least developed countries.

IV. International financial cooperation through, inter alia, official development assistance

19. The discussion of international financial cooperation spanned the key sections of the Secretary-General's report, including volume of official development assistance (ODA), aid effectiveness and efficiency, global public goods and services and innovative sources of financing.[4] While non-concessional official flows were seen as an important factor in development, concessional flows were considered indispensable in Africa and the least developed countries. Both types of flows could be catalytic in attracting private flows. The discussion revolved around providing specific time frames towards meeting the internationally agreed ODA target of 0.7 per cent of GNP to counter the declines in past years; developing each country's own comprehensive strategy, including the establishment of sound macroeconomic policies and national partnerships in an effort to use ODA most effectively; and the growing concerns regarding global public goods. The critical role of ODA was discussed, including its potential for helping developing countries to strengthen domestic resource mobilization, build national capacity, attract foreign investment, benefit from trade and foster peace. Better coordination was called for between donors' ODA/development and trade policies.

20. In discussing global public goods (GPGs), many speakers stated that funding for GPGs, though of vital importance, should not divert resources away from conventional ODA. Therefore, there should be *additional* resources allocated to GPGs. It was suggested that GPGs could benefit from funding from multiple governmental sources, as well as non-governmental ones, especially the private sector.

Areas of convergence

- ODA is seen as an important complement to other sources of financing in the effort to foster development, including meeting the international development goals. It could be used to remove structural and institutional obstacles, enhancing national institutional capacity; to support long-term investment programmes in the areas of environment, housing, health, education and in facing the challenges of natural calamities and conflicts. It can close gaps between developed

and developing countries in many areas, not the least of which is information technology, knowledge generation and dissemination; it can also help to reduce the gaps between the "haves" and the "have-nots" within developing countries. ODA can help to finance regional programmes, including those in infrastructure, to assist in regional integration efforts.

- Ownership by the recipient country (including government, civil society, private sector, and the poor) is key. Forging partnerships is necessary both for ODA to be generated more systematically in donor countries and for it to be used more effectively in recipient countries. Partnerships should include national, regional and international government actors, civil society and the private sector.

- Civil society and private sector should also be seen as potential contributors to and deliverers and recipients of aid. It was stressed that civil society should be involved in more depth both in establishing ownership in recipient countries and in generating support in developed ones.

- Each partner has its role to play in ensuring increased aid effectiveness when working in the above-mentioned areas. Sound macroeconomic policies, recipient-owned comprehensive strategies and pro-poor policies are key requirements for effective use of ODA resources, as are greater flexibility in ODA provision, greater predictability in ODA flows and better targeting towards productive, pro-poor activities. Important instruments have been created to link effectively ODA and national strategies for poverty eradication under the leadership and coordination of recipient countries, in particular the United Nations Development Assistance Framework, poverty reduction strategy papers, the comprehensive development framework and common country assessments.

- Transaction costs in the delivery of ODA, both in terms of time and resources, should be reduced. This requires simplification and harmonization of donor procedures and reporting requirements.

- Generating additional ODA and maintaining political commitment requires tremendous effort. Respecting the legislative and parliamentary constraints faced by developed countries is crucial; many delegates agreed with the recommendation calling for a global effort to mobilize support among local citizens, non-governmental organizations and private sector partners for achieving the Millennium Summit goals.

- South-South cooperation, including triangular partnerships, could also contribute.

- There is a growing opportunity for developing and transition economies to become donors, as some have already done.

- Several delegates acknowledged the interplay between the quality and quantity of aid. Demonstrating tangible results is one key factor in strengthening aid support.

Issues for further consideration

- Ensuring flexibility in aid delivery, including through harmonization of donor procedures and consideration of conditionality as well as measuring aid effectiveness.

- A more systematic and clear definition of global public goods. In trying to clarify the definition of GPGs, four points were made: the definition of GPGs is technically simple but politically difficult; ODA and GPG agendas are closely linked but should not be mixed; public sources for GPG funds should include not only development ministries but sectoral ones; and follow-up work is under way in further elaborating the arena for future action.

- Consideration of global public goods that focuses on those areas that are a priority for development.

- Consideration of global public goods that is based on solid assessment of public goods needs, outlining the value added and comparative advantage of new efforts, taking into account the existing experiences of national, regional and international efforts in order to avoid duplication.

- The upcoming analysis of innovative sources of financing requested during the five-year review process of the World Summit for Social Development.

V. Debt

21. A very active discussion was held on how the international community should treat the debt situation of developing and transition economies.[e] Speakers drew primarily on the report of the Secretary-General for the financing for development preparatory process, as well as other reports submitted to the Committee and the General Assembly.

Convergence of views

- To be successful, the international strategy for assisting developing and transition economies that have suffered under excessive debt burdens must be comprehensive and multidimensional. At the level of individual countries, appropriate and "owned" domestic policies, as considered under agenda item I, must accompany debt relief for it to effectively end debt problems. At the international level, appropriate trade and financial policies, as considered under agenda items II through IV and VI, must similarly accompany debt relief.
- Technical assistance in debt management, information-sharing about financial flows and transparency in financial transactions in general should be available to developing and transition economy countries.
- Recent decisions were welcomed to improve the transparency of the Paris Club, the central body for restructuring the debt owed to bilateral official creditors.
- Governments that are not members of the Paris Club were urged to contribute appropriately to debt relief so as to arrive at a fair burden-sharing among creditors of a country receiving relief.
- Regarding the enhanced initiative for the heavily indebted poor countries (HIPC), progress in implementation in 2000 was appreciated. Unilateral decisions by certain developed countries in granting debt reduction beyond the HIPC initiative were also highly appreciated. Rapid progress in implementation of the HIPC initiative is a high international priority.
- Debt reduction represents only part of the financial assistance required by heavily indebted, low-income countries. In addition, these countries require access to growing transfers of ODA.
- Resources used to underwrite the reduction of debt owed to official creditors of low-income countries should not be at the expense of other ODA flows.
- For countries mainly indebted to private foreign creditors, a primary goal of solutions to debt-servicing crises is sustainable borrowing from international financial markets under normal terms of access. This requires an appropriate and internationally supported adjustment programme, plus the simultaneous, full and fair restructuring of debt-servicing obligations.

Issues for further consideration

- Flexibility in the process of debt reduction to allow for differences in country circumstances, while pursuing the international development aims underlying the HIPC initiative. Keeping criteria for debt reduction under review so that they are consistent with commitments to attaining the Millennium Summit goals and sustainable human development.
- Consideration of a moratorium or even debt cancellation, where appropriate, in low-income countries in extreme situations, such as natural disasters.
- More common use of "collective action" clauses in bond contracts to facilitate participation of private creditors in debt workouts.
- The idea of 100 per cent reduction of ODA debt and eligible credits for countries qualifying for HIPC debt reduction, as presented in the Palermo statement of the Group of Seven major industrialized countries.
- Possibility of naming a mediator acceptable to all relevant parties to facilitate arriving at a mutually satisfactory resolution of a debt crisis, as an additional voluntary option for debt restructuring.
- A proposal that debtor countries should form a "debtors' club" and negotiate their debt relief terms together, rather than on a case-by-case basis.
- In view of the fact that most foreign debt in developing countries comes from the private

sector, questions of how to resolve non-performing loans originating from the private sector borrowing.

VI. Systemic issues

22. The discussion of the last topic on the financing for development agenda was very constructive and frank.[f] Consideration of systemic issues was considered absolutely essential for the financing for development process since a well functioning international system is crucial for mobilizing resources for development. Better coordination and coherence in activities of different international bodies, as well as broader and more effective participation of all countries in the international decision-making process, were seen as particularly important.

Convergence of views

- The importance of a stable and enabling global economic and financial environment for development was stressed.
- Emphasis should be placed on enhancing cooperation and coherence among different international bodies dealing with financial, trade and developmental issues. Some arrangements for improving such coordination already exist. Nevertheless, much more is needed to further extend and strengthen coherence and consistency among international financial institutions, WTO and the United Nations. The financing for development process will be most effective if it creates the trust necessary for this enhanced coordination and cooperation among various international organizations. More effective cooperation among international bodies also requires improved coordination at the national level among different parts of the government.
- Economic and financial cooperation among regional groups of countries should effectively complement actions at the global level. Consequently, strengthening regional and subregional cooperation and coordination arrangements between global and regional institutions in monetary and financial matters, as well as in the prevention and management of financial crises, deserves more attention and further consideration.
- Multilateral surveillance of economic and financial policies is both a service to individual countries and a global public good. Further steps should be taken to promote it in a symmetrical manner for all countries. Apart from national economies, there is an urgent need to strengthen multilateral surveillance and monitoring of international financial markets, with special emphasis on short-term capital flows, and to strengthen early warning capacity and modalities to prevent future crises. Of particular concern in this regard is to prevent contagion.
- As the private sector accounts for the overwhelming share of international financial flows, it has an important and indispensable responsibility in crisis management and resolution. Therefore, there is a need for clearer rules and procedures for private sector involvement in this process. To date, only a few general principles have been developed. Further efforts to facilitate ongoing dialogue between national authorities, multinational organizations and the private sector are welcome.
- The need for social protection in times of financial crisis, social safety nets in particular, deserves special attention. Although such an effort should have been made during the time of prosperity, when it would have been politically and economically more feasible and easier to implement, nevertheless better integration of social and financial issues should be further pursued.
- International financial institutions are making significant efforts to become more accountable as well as more responsive and transparent to international public concerns. These efforts should be further encouraged.
- Development and implementation of international standards and regulations are an important component of ongoing efforts to strengthen the international financial system.

Issues for further consideration

- Adequate representation and improved participation of all countries, in particular of developing and transition economies, in the international economic decision-making and norm-setting process.

- Promoting more equitable distribution of the benefits of globalization and world economic growth.
- The timing of the implementation of the standards and regulations for national financial systems, taking into account the various stages of economic and financial development and administrative capacities of countries. Implications of different cultural and legal traditions.
- Making sure that multilateral support to withstand and adjust to economic and financial crises is more growth- and employment-oriented.
- Enhancing the capacity of multilateral organizations to provide emergency financing.
- Respect for autonomy in the areas of management of the capital account and the choice of exchange rate regimes.
- Possible ways to improve international arrangements for cooperation between national tax authorities.
- Strengthening of the role of the United Nations as convener and facilitator of policy dialogue and consensus-building on global economic, financial and development issues. Role of the United Nations, in collaboration with the specialized institutions, in identifying emerging issues and policy gaps.
- The most effective use of the United Nations for consideration of monetary, trade and financial issues from the perspective of development.

Notes

[a] Of the 44 interventions, 37 were by Governments or groups of Governments, two by IMF, one by the World Bank and four by NGOs (International Council on Social Welfare, Women's Environment and Development Organization (on behalf of the Women's Caucus), International Confederation of Free Trade Unions (on behalf of the Labour Caucus) and Information Habitat: Where Information Lives.

[b] Forty statements were made in the dialogue by 35 participants. They included 28 Governments or groups of Governments (including a representative of the Italian bank Mediocredito Centrale, as part of the Italian delegation), IMF, World Bank, UNIDO, and two NGOs (the United States Council for International Business, an affiliate of the International Chamber of Commerce, and Women's Environment and Development Organization, on behalf of the Women's Caucus).

[c] There were 35 interventions, including 28 by Governments or groups of Governments, as well as by UNCTAD, WTO, IMF, the World Bank and three NGOs (United States Council for International Business (an affiliate of the International Chamber of Commerce), International Council of Women (on behalf of the Gender and Environment Caucus), and the World Council of Churches (on behalf of the NGO Working Group on Trade and the African Caucus)).

[d] Thirty-six speakers participated in the dialogue, including 31 Governments or groups of Governments, UNDP, the World Bank and three NGOs (Coopération internationale pour le développement et la solidarité (speaking on behalf of Caritas Internationalis and the Centre of Concern), International Student Movement of the United Nations and International Institute for a Sustainable Future).

[e] Thirty-three statements were made under this agenda item, including 27 by Governments or groups of Governments. Statements were made by IMF, the World Bank, UNDP and the financing for development secretariat, as well as by the Organization of the Islamic Conference and an NGO (the World Council of Churches (on behalf of the NGO Working Group on Debt)).

[f] There were 39 speakers, including 29 Governments or groups of Governments. Interventions were made by UNCTAD, the ILO, IMF, World Bank, the OECD Development Centre and five NGOs (National Association of Cuban Economists, World Confederation of Labour (on behalf of the Labour Caucus), Lutheran World Federation (on behalf of the Ecumenical Team), Maryknoll Office for Global Concerns and Red de Educación Popular Entre Mujeres).

Annex II

List of documents before the Committee at its second session

Document symbol	*Agenda item*	*Title or description*
A/AC.257/10/Add.2	1	List of non-governmental organizations recommended by the Bureau of the Committee for accreditation in the substantive preparatory process and the high-level event
A/AC.257/12	2	Report of the Secretary-General to the Committee
A/AC.257/13	2	Report of the Regional Consultative Meeting on Financing for Development in the Asia and the Pacific Region, Jakarta, 2 to 5 August 2000
A/AC.257/14	2	Report of the Regional Consultative Meeting on Financing for Development in the African Region, and Preparatory Meeting for the Third United Nations Conference on Least Developed Countries, Addis Ababa, 15-17 November 2000
A/AC.257/15	2	Report of the Regional Consultative Meeting on Financing for Development in the European Region, Geneva, 6 and 7 December 2000
A/AC.257/16	2	Report of the Regional Consultation on Financing for Development in the Western Asia Region, Beirut, 23 and 24 November 2000
A/AC.257/17	2	Report of the Regional Consultation on Financing for Development in the Latin America and the Caribbean Region, Bogotá, 9 and 10 November 2000
A/AC.257/18	2	Hearings with civil society on financing for development, 6 and 7 November 2000: summary panel presentations and discussion
A/AC.257/19	2	Hearings with the business community on financing for development, 11 and 12 December 2000: summary of panel presentations and discussion
A/AC.257/20	1	Provisional agenda and annotations and organization of work
A/AC.257/L.5	5	Draft report
A/55/579/Add.5	2	Report of the Second Committee entitled "Macroeconomic policy questions: financing of development, including net transfer of resources between developing and developed countries"

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